

WHITE, WHITE, ASKEW & CRENSHAW

ATTORNEYS AT LAW

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17363
RECEIVED BY FILED UNIT

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JUN 3 1991 -2 35 PM

INTERSTATE COMMERCE COMMISSION

JUN 3 2 34 PM '91
RECORDS & COMM. UNIT

May 30, 1991

1-154A145

Secretary
Interstate Commerce Commission
12th Street and Constitution Avenue, N.W.
Washington, DC 20423

Dear Secretary:

Enclosed are an original and one counterpart of the document described below to be recorded pursuant to Section 11303 of Title 49 of the U.S. Code.

This document is a Security Agreement, a primary document, dated May 16, 1991.

The names and addresses of the parties to the document are as follows:

Debtor: J & J Railroad, Inc.
P. O. Box 131
Hardin, KY 42048

Secured Party: Citizens Bank and Trust Company
of Paducah, Inc.
333 Broadway
Paducah, KY 42001

The equipment covered by the document is a 1949 General Electric SW1 switch engine bearing serial number 643 and marked "J & J Railroad."

A fee of \$15.00 is enclosed. Please return the original and any extra copies not needed by the Commission for Recordation to Julia T. Crenshaw, P. O. Box 2, Hopkinsville, KY 42241.

A short summary of the document to appear in the index is as follows: Security Agreement dated as of May 16, 1991, between J & J Railroad, Inc., P. O. Box 131, Hardin, KY 42048, and Citizens Bank and Trust Company of Paducah, Inc., 333 Broadway, Paducah, KY

Secretary

-2-

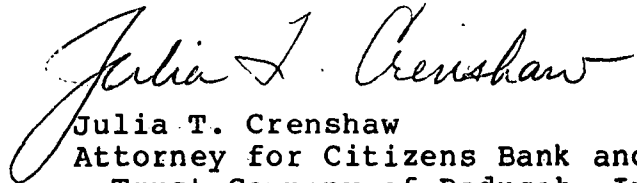
Interstate Commerce Commission

May 30, 1991

42001, and covering a 1949 General Electric SW1 switch engine bearing serial number 643 and marked "J & J Railroad" together with all equipment and accessories attached thereto or used in connection therewith.

Very truly yours,

WHITE, WHITE, ASKEW & CRENSHAW



Julia T. Crenshaw
Attorney for Citizens Bank and
Trust Company of Paducah, Inc.

JTC/sm
Enclosures

Interstate Commerce Commission
Washington, D.C. 20423

6/5/91

OFFICE OF THE SECRETARY

Julia T. Crenshaw

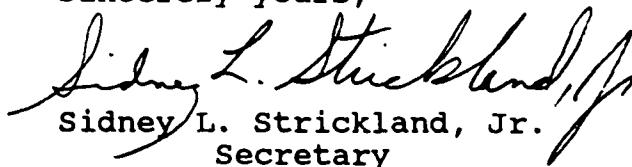
P.O.Box 2

Hopkinsville ,KY. 42241

Dear Sir:

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 6/3/91 at 2:35pm , and assigned recordation number(s). 17363

Sincerely yours,


Sidney L. Strickland, Jr.
Secretary

JUN 3 1991 -2 35 PM

SECURITY AGREEMENT

INTERSTATE COMMERCE COMMISSION

This is a Security Agreement dated as of May 16, 1991, between J & J RAILROAD, INC. ("Borrower"), a Kentucky corporation, P. O. Box 131, Hardin, Kentucky 42048, and CITIZENS BANK AND TRUST COMPANY OF PADUCAH, INC. ("Secured Party"), a Kentucky banking corporation, 333 Broadway, Paducah, Kentucky 42001.

Recitals

A. Pursuant to a Loan Agreement dated as of even date herewith (the "Loan Agreement") among Secured Party, Borrower, Jack Dunigan and Dianne Dunigan, Secured Party has agreed to make available to Borrower a revolving line of credit in the amount of \$150,000.00 for the purposes of enabling Borrower to satisfy certain indebtedness and to make advances to Hardin Grain Elevator, Inc. ("HGE") to be used by HGE to establish wholesale grain operations and to fund HGE's new feed mill operation.

B. To induce Secured Party to enter into the Loan Agreement and to make the revolving line of credit available to Borrower, Borrower desires to enter into this Agreement to grant a security interest in favor of Secured Party in the Collateral (as defined below).

NOW, THEREFORE, Borrower and Secured Party have agreed as follows:

1. Definitions. As used in this Agreement, the terms and phrases defined in the Loan Agreement and in the preamble and Recitals hereto shall have the meanings given them there, and the following terms and phrases shall have the following meanings:

"Collateral" shall mean all of the property in which Borrower grants Secured Party a security interest hereunder.

"Default" shall have the meaning given it in paragraph 7 of this Agreement.

"Engine" shall mean Borrower's 1949 General Electric SW1 switch engine bearing serial number 643 and marked "J & J Railroad" together with all equipment and accessories attached thereto or used in connection therewith.

"Secured Obligations" shall mean the obligations secured by this Agreement as described in paragraph 3 of this Agreement.

"Track" shall mean the railroad track and fixtures, and materials appurtenant thereto, including, without

limitation, rails, ties and ballasts, now owned or hereafter acquired by Borrower which are now or hereafter attached to Borrower's strip of land running from Hardin, Kentucky, and Murray, Kentucky.

2. Grant of Security Interest. Borrower hereby grants Secured Party a security interest in all of Borrower's right, title and interest in and to the Engine and the Track and in the proceeds or products of any sale, exchange, collection or other disposition of the Collateral or any part thereof.

3. Obligations Secured. The security interest created hereby secures payment and performance of (a) the indebtedness evidenced by the Note, and all obligations contained in the Note, (b) all obligations, agreements, covenants and representations of Borrower under this Agreement, whether or not, either on the date hereof or thereafter evidenced by any note, instrument or other writing, (c) all of the other obligations, agreements, covenants and representations of the Borrower Group under the Loan Documents, whether or not, either on the date hereof or thereafter evidenced by any note, instrument or other writing, and (d) any and all indebtedness, obligation or liability of the Borrower Group to Secured Party, however evidenced, whether existing on the date of this Agreement or arising thereafter, direct or indirect, absolute or contingent, arising out of or in connection with the Loan Documents.

4. Representations and Warranties. To induce Secured Party to enter into this Agreement, all of the representations and warranties made by the Borrower Group in the Loan Agreement are incorporated herein by reference, and Borrower further represents and warrants as follows:

(a) Borrower has good and marketable title to the Engine free and clear of all encumbrances, mortgages, pledges, liens, charges, restrictions or other security interests of any kind other than the security interest created in favor of Secured Party. Borrower has good and marketable title to the Track free and clear of all encumbrances, mortgages, pledges, liens, charges, restrictions or other security interests of any kind other than the security interest in favor of Secured Party and any liens on the Track which may have been created under the mortgages executed by Borrower in favor of the Bank of Benton, the Kentucky Finance Development Authority and the Purchase Area Development District, Inc.

(b) The Engine is located primarily at Railroad Avenue, Hardin, Kentucky, but is moved from time to time along Borrower's railroad track running between Hardin, Kentucky, and Murray, Kentucky. The Track is located on and attached to Borrower's real estate in Marshall and Calloway Counties, Kentucky.

(c) The Collateral is used and will be used for business purposes only.

5. Duration of Security Interest. Secured Party, its successors and assigns, shall hold the security interest created hereby upon the terms of this Agreement, and this Agreement shall continue until the Secured Obligations have been paid or performed in full.

6. Covenant Not to Dispose of or Impair Collateral. Without the prior written consent of Secured Party, Borrower shall not sell, transfer, or otherwise dispose of the Collateral or any part thereof or interest therein. Borrower shall not remove the Track from its present location. Borrower shall not permit any of the Collateral to be levied upon under any legal process, nor shall Borrower permit anything to be done that may impair the value of the Collateral or the security intended to be provided by this Agreement.

7. Default. At the option of Secured Party, the occurrence of any Event of Default under the Loan Agreement shall constitute a default under this Agreement (a "Default").

8. Remedies. Upon any Default, Secured Party may, at its option, declare any and all of the Secured Obligations to be immediately due and payable, and in addition to exercising all of its rights and remedies, Secured Party may proceed to exercise with respect to the Collateral, all rights, options and remedies of a secured party upon default as provided for under the Uniform Commercial Code.

9. Cumulative Remedies. The rights and remedies of Secured Party shall be deemed to be cumulative, and any exercise of any right or remedies shall not be deemed to be an election of that right or remedy to the exclusion of any other right or remedy. Notwithstanding the foregoing, Secured Party shall be entitled to recover by the cumulative exercise of all remedies no more than the sum of (a) the Secured Obligations remaining outstanding at the time of exercise of remedies plus (b) the costs, fees and expenses Secured Party is otherwise entitled to recover.

10. Waivers. Borrower waives, to the extent permitted by applicable law, any requirement of marshaling assets or proceeding against persons or assets in any particular order and any and all notices of every kind and description which may be required to be given by any statute or rule of law and any defense of any kind which Borrower may now or hereafter have with respect to liability under this Agreement.

11. Secured Party as Agent. Borrower hereby irrevocably constitutes Secured Party as its agent and attorney-in-fact at any time after the occurrence of a Default to proceed against account debtors obligated on any Collateral in its name or in Secured Party's name, sign and endorse all checks, drafts and other instruments in payment of the Collateral and perform all such other acts with respect to the Collateral as Secured

Party may in its discretion deem necessary to effectuate the security interest intended to be granted by this Agreement.

12. Fees and Expenses. Borrower shall pay to Secured Party upon demand all out-of-pocket expenses incurred by Secured Party in connection with the transactions contemplated hereby, including, without limitation, the reasonable attorneys' fees incurred in preparing this Agreement, and any and all costs and fees incurred in connection with the recording or filing of any financing, continuation or termination statement or other documents or instruments in any public office necessary to perfect or protect or to maintain or terminate the perfection of the security interest created by this Agreement. Borrower shall upon demand reimburse Secured Party for such costs, and until reimbursement such costs shall be a part of the Secured Obligations.

13. Certain Obligations Regarding Collateral. Borrower shall maintain the Engine and the Track in good condition and repair and maintain the Engine under adequate condition of storage to prevent its deterioration or depreciation in value. Borrower shall comply in all material respects with all valid and applicable statutes, rules and regulations of the United States of America, of the states thereof and their counties, municipalities and other subdivisions and of any other jurisdiction applicable to Borrower, the conduct of its business or the operation of the Engine, including, without limitation, the rules and regulations of the U. S. Department of Transportation and the U. S. Interstate Commerce Commission.

14. Notices.

(a) Any requirement of the Uniform Commercial Code or reasonable notice shall be met if such notice is given at least five (5) business days before the time of sale, disposition or other event or thing giving rise to the requirement of notice.

(b) All notices or communications under this Agreement shall be made in accordance with Section 12.16 of the Loan Agreement and addressed to the parties as set forth in that Section 12.16.

15. Further Assurances. From time to time, Borrower shall sign such other documents and instruments and take such other action as Secured Party may reasonably request to create and maintain more fully the security interest in the Collateral intended to be created in this Agreement and to perfect any such interest.

16. Miscellaneous.

(a) The failure by Secured Party to exercise any right shall not be deemed a waiver of that right, and any single or partial exercise of any right shall not preclude the further

exercise of that right. Every right of Secured Party shall continue in full force and effect until such right is specifically waived in a writing signed by Secured Party.

(b) If any part, term or provision of this Agreement is held by any court to be prohibited by any law applicable to this Agreement, the rights and obligations of the parties shall be construed and enforced with that part, term or provision in force to the greatest extent allowed by law, or if it is totally unenforceable, as if this Agreement did not contain that particular part, term or provision.

(c) The headings in this Agreement have been included for ease of reference only and shall not be considered in the construction or interpretation of this Agreement. All right and obligations of Secured Party hereunder shall benefit and bind Secured Party, its successors and assigns, and all obligations of Borrower under this Agreement shall bind its successors and assigns.

(d) To the extent allowed under the Uniform Commercial Code, this Agreement shall in all respects be governed by and construed in accordance with the laws of the Commonwealth of Kentucky.

(e) This Agreement constitutes the entire agreement of the parties with respect to the subject matter hereof and supersedes all prior understandings of the parties with respect to the subject matter hereof. No change, modification, amendment or termination of this Agreement shall be enforced unless in writing and signed by the parties hereto.

IN WITNESS WHEREOF, Borrower and Secured Party have executed this Agreement as of the date set forth in the preamble hereto.

J & J RAILROAD, INC.

By Jack Dunigan
Jack Dunigan, President
Date: 5/16/91

CITIZENS BANK AND TRUST COMPANY
OF PADUCAH, INC.

By James C. Rieke, III
James C. Rieke, III
Vice President
Date: 5/16/91

STATE OF KENTUCKY)
 : SCT
COUNTY OF MCCRACKEN)

The foregoing Security Agreement was subscribed, acknowledged and sworn to before me by Jack Dunigan, the President of J & J Railroad, Inc., a Kentucky corporation, on behalf of the corporation, on May 16, 1991.

My commission expires 5-21-94.

Joyce Wallace
NOTARY PUBLIC

(SEAL)

STATE OF KENTUCKY)
 : SCT
COUNTY OF MCCRACKEN)

The foregoing Security Agreement was subscribed, acknowledged and sworn to before me by James C. Rieke, III, the Vice President of Citizens Bank and Trust Company of Paducah, Inc., a Kentucky corporation, on behalf of the corporation, on May 16, 1991.

My commission expires 5-21-94.

Joyce Wallace
NOTARY PUBLIC

(SEAL)